

Rx PLAN TAKES DRUG COVERAGE AWAY FROM 2.7 MILLION SENIORS NATIONWIDE - UPDATED 11/21/03

The plan will result in millions of retirees losing their employer-sponsored drug coverage, dealing an irreversible blow to the employer-based system that is the backbone of our nation's health care system. Employer-sponsored retiree health benefits are the single greatest source of drug coverage for retirees, providing benefits to one in three Medicare beneficiaries. They also generally offer the best coverage available - generous benefits and low-cost sharing. However, CBO projects that 2.7 million seniors in employer-based retiree plans will lose coverage they have today due to the discriminatory treatment of seniors with retiree coverage in the conference report.

- **Retiree health coverage is already in trouble.** Employer-sponsored retiree health benefits are the single greatest source of coverage for retirees, providing drug coverage for one in three Medicare beneficiaries. But high drug costs constitute 40 to 60 percent of employer's retiree health care costs, and steep price increases are prompting employers to eliminate drug benefits, cap their contributions, or drop retiree coverage all together. In fact, just 34 percent of all large firms (200 or more employees) offered retiree benefits in 2000, down from 68 percent of all large firms in 1988. This proposal greatly exacerbates this troubling trend.
- **The plan discriminates against retirees who currently have employer-sponsored coverage.** A Medicare prescription drug benefit should support good coverage that exists today. Yet, instead of encouraging employers to maintain retiree coverage they currently provide, this plan actually creates an incentive for employers to drop it. The conference agreement discriminates against beneficiaries with retiree health coverage by excluding such coverage from counting toward spending for the catastrophic benefit. This policy, an accounting mechanism called "true out-of-pocket spending," means that most seniors with retiree coverage and high drug costs will never access the catastrophic benefit. While subsidies are provided to some employer plans, the subsidies are far less than those offered to beneficiaries who do not have retiree health coverage.
- **Fails to help retirees from state and local governments, multi-employer groups or non-profit organizations.** The additional funding added at last minute under the guise of shoring up retiree coverage is meaningless to

those who retired from public service or other organizations with no tax liabilities. As a result, teachers, firefighters, police officers, construction workers, health care workers and those who worked for charities won't get a thin dime of the newly discovered \$18 billion.

- **Instead of expanding coverage, this proposal takes it away.** This debate was supposed to increase access to drug benefits. Instead, millions of those with good coverage today will lose it. Despite Republican claims that no one will be forced to participate in this scheme, these beneficiaries won't have the choice to stay in their current plan.